



NEW YORK STATE SENATOR

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## IDC, Assemblyman Bing, Propose Plan to Help State Lower Liability Risks

JEFFREY D. KLEIN July 7, 2011

| ISSUE: **GOVERNMENT OPERATIONS, AGENCIES**

### ***Proposal Would Save NY \$50 Million; Increase Workplace Safety***

The Independent Democratic Conference and Assemblyman Jonathan Bing, (D-Manhattan), today released a common sense plan that would save New York State an estimated \$50 million, while at the same time increasing workplace safety in state government.

The proposal empowers a division of the state Office of General Services to proactively pursue ways to manage risk and liabilities within state agencies, authorities and other entities. New York State faces exposure to liability from people employed by the state, or from visitors to state property.

Last year alone, the Court of Claims issued 258 liability claims against the state that totaled more than \$80 million. This is on top of the nearly \$23 million that is spent on worker compensation claims. Currently, OGS has a Bureau of Risk and Insurance Management, which can generate risk assessments for state entities. However, they can only do so at the request of the state entity.

“In the face of a \$10 billion budget deficit, we have to be proactive – not reactive,” said Senator Jeffrey D. Klein, (D-Bronx/ Westchester.) “By having one strong office to determine how to best protect New York State from risk, as well as protect people from harm, we can help make government smarter, less costly, and put this state back on the right track.”

The IDC/ Bing plan, however, would:

- Expand the powers of the Bureau of Risk and Insurance Management and rename it the Office of Risk Assessment and Management.
- Appoint a risk assessment manager responsible for proactively examining state assets and policies for liabilities, as well as judgment trends.
- Use these new powers to create risk management plans for state entities and work with these entities to implement them.

While the costs to implement this proposal are minimal, the savings are estimated to total \$50 million in reduced liability payouts during its first year and \$150 million by its third year.

"By establishing Offices of Risk Management, several states have had tremendous success in achieving cost savings by lowering claims and settlements, reducing insurance rates, and finding other spending reductions through risk-mitigation measures," said Assemblyman Bing. "We should follow suit in New York by creating a similar office which could potentially create a cost savings of up to \$50 million in the first year."

Senator Klein and Assemblyman Bing jointly sponsor legislation that would establish the Office of Risk Management. However, the IDC and the assemblyman are asking it to be included in the budget.

"Risk management is about making and implementing smart decisions so that any negative effects or losses to the State are minimized," Senator David Carlucci (D-Rockland/Orange) said. "We need to get a handle on these costs, or they will continue to sky-rocket and drown our efforts to keep New York State's finances on the right track. Our risk management proposal will control costs and reduce potential liabilities."

This approach has been successful in other states.

Specifically:

- Texas saved \$70 million in 2010 as a result of their Office of Risk Management's cost containment measures.
- Florida saved approximately \$12 million in 2009 through risk assessment.

- Arizona reduced excess insurance expenses by approximately 15%, or \$1.7 million.
- Georgia reduced accident costs by 14 percent - or \$800,000 - after implementing a program that sought to reduce preventable vehicular accidents. They predict \$5 million in savings over the next five years.
- Washington state saved \$365 million during the last 10 years through its risk management program.

Having a centralized risk management program is also standard practice for most large companies in the private sector.

“Our risk management proposal will help protect our workforce, protect New Yorkers who visit our parks and use our facilities, as well as help protect New York's finances,” said Senator Diane Savino (D-Staten Island/ Brooklyn). “It makes fiscal sense and it makes common sense.”

"One of the Independent Democratic Conference's highest priorities is to find common sense solutions to problems in New York State and this legislation is an excellent example," said Senator David J. Valesky, (D-Oneida).

**Marilyn Rivers, a member of the Risk and Insurance Management Society, the Public Risk Management Association's Board of Directors and Director of Risk and Safety for the City of Saratoga Springs, NY, said:**

"The Risk and Insurance Management Society, Inc. and the Public Risk Management Association strongly support this initiative to create a NY Office of Risk Assessment and Management. This office would provide the State of New York with the system and resources necessary to more effectively manage its risk on a statewide basis, while also saving money and reducing its risk exposures.”